Attached is
Additional Information
for
Agenda Item No. #14

Ratification of Budget Workshop

Board of County Commissioners Meeting of Tuesday, July 10, 2007

This document distributed: July 9, 2007

BOARD OF COUNTYCOMMISSIONERS
MEMORANDUM

DATE: July 9, 2007

TO: The Honorable Chairman and Members of the Board

THROUGH: Parwez Alam, County Administrator PA

FROM: Alan Rosenzweig, Assistant County Administrator AR

SUBJECT: Additional Information – Item #14 Ratification of Budget Workshop

Subsequent to the Budget Workshops, staff has continued to review the tentative budget. As part of this process staff has received additional information relating to the development of the tentative FY07/08 ad valorem projections. In accordance with Florida Statutes, the County must have a tentatively balanced budget no later than July 15, 2008; therefore, the budget workshops had to proceed utilizing the information available at that time. However, as additional information has become available, staff is providing the Board these materials. **Staff has provided the revised calculations to DOR and is still waiting confirmation.** At the conclusion of this document is a brief discussion of the impacts of the proposed constitutional amendment.

Certified Taxable Values

For the tentative budget workshops, the Property Appraiser had provided tentative taxable values. Subsequent to the workshops, the Property Appraiser has provided certified values. Specifically, the tentative information provided by the Property Appraiser's office indicated new construction for next year would be $335,994,366. The certified values reflect new construction at $400,479,935 or an increase of $64,485,569. For next year, regardless of the 3% or 5% required reduction, Leon County is allowed to collect additional property taxes related to new construction. Given the proposed countywide millage rate of 7.21 the additional new construction generates $441,872.

Rolled Back Rate Calculation

The Department of Revenue is continuing to promulgate rules relating to the implementation of the special session. One of the adjustments relates to how the rolled back rate is calculated when taking into consideration tax increment financing (TIF) payments.

Prior to this year the rolled back rate was the millage rate necessary to generate the same amount of ad valorem taxes that were levied in the prior year net of new construction. Any millage rate in excess of this amount was deemed a tax increase. There were no statutory restrictions relating to the Board having to implement the rolled back rate or extraordinary votes required to exceed this rate. As a result of the special session there are now laws relating to the use of the rolled back rate and the Board's ability to exceed it.

Given these new constraints, the rolled back rate is being redefined to address the impact of TIF payments. The following examples show the impacts under the old and new definitions:

Rolled Back Previous Law: For example, a County levies property taxes that generate $100. The County has TIF payments totaling $5. This means a County has $95 for its general fund. The next year the County creates a rolled back rate that still generates $100 in property taxes. However, as the result of growth in the CRA, the County's TIF payment grows to $10. This means that the County now has $90 for it's general fund or a decrease of $5 from the prior year. If the rolled back rate is levied the Board really has less revenue then the prior year to fund governmental operations; this is not the intent of the rolled back rate. The rolled back rate is intended to hold the general fund harmless.

Rolled Back New Law: The taxes paid to a TIF district and the corresponding amount of the increment are removed from the calculation of the rolled back rate. This basically holds the general fund harmless by allowing the rolled back rate to be slightly higher than previously.

The net impact for Leon County is an increase in the rolled back rate of approximately 0.05 mills. This will generate $795,813 in additional revenue for next fiscal year.

Tax Increment Financing Payments

In developing the tentative budget, staff made preliminary forecasts for the Frenchtown and Downtown TIF payments. Based on the certified values and the reduced millage rates being considered, the Frenchtown payment is anticipated to be $1.591 million or a reduction to the budget of $380,465. In addition, the City is requesting the payments to the downtown district also be reduced next year. This will need to be accomplished through modifications to the inter local agreement. If the adjustments are made the reduction for the County will be $188,936. The total reduction for both districts is $569,401.

Summary of FY2007/2008 Budget Adjustments

At this point in time, staff has identified the following additional increases to the projected ad valorem and decreases to other expenditures:

- $441,872 ad valorem associated with increase in new construction
- $795,813 ad valorem associated with TIF adjustments to the rolled back rate
- $569,401 decrease in TIF payments associated with millage and value adjustments
- $1,807,086 total additional resources for FY07/08 budget development; this does not include the additional revenues associated with going from 5% to 3%. The 5% to 3% adjustment based on the certified values is $2,309,657.
- The total additional revenue is $4,116,743 (pending final determination from DOR).

Constitutional Amendment

The Property Appraiser has applied the impacts of the proposed constitutional amendment to the current tax roll. The amendment, if passed, would allow homeowners to select either keeping their existing save our homes cap or switching to a super homestead exemption. The amendment also creates a $25,000 exemption for tangible personal property (TPP). Assuming all homeowners select the option that benefits them the most immediately, the taxable value for next year would have been $13.8 billion versus $16.3 billion or a loss of $2.6 billion in taxable value. Assuming a millage rate of 7.21, the total loss revenue will be $17.5 million or 16%.